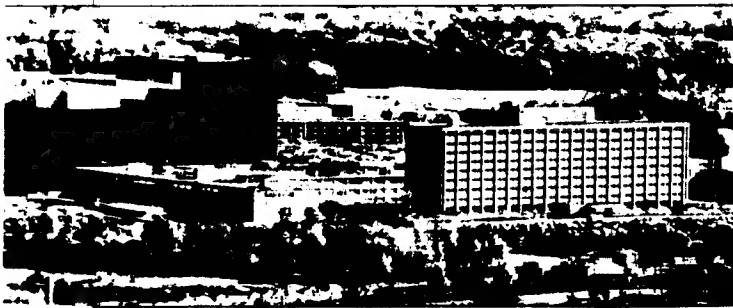


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KARTY KATZ—OUTLINE

Puzzle Palace perplex: Questions about what the Soviets got

Yurchenko's Gift?

After 14 years as a communications specialist with the ultrasecret National Security Agency, the so-called Puzzle Palace, Ronald Pelton was making \$24,500 a year and digging himself ever deeper into debt. After declaring bankruptcy in 1979, he was fired by the agency and, within months, officials charge, began a five-year career selling the Soviets intelligence secrets that may have jeopardized some of the nation's most prized communications and surveillance technology. Indeed, some U.S. experts think that Pelton may have done more damage than the family spy ring allegedly run for 18 years by Navy

man John Walker. "Asking whether Pelton is worse than the Walkers is a little like asking whether you'd rather die of cancer or leukemia," said George Carver, a former top CIA official.

At worst, according to administration officials, Pelton may have provided the Soviets with the resources to intercept coded American satellite communications and even to feed false or misleading information to U.S. intelligence agencies. Pelton's knowledge was extensive: in 1978 he wrote a detailed paper on U.S. intelligence targets in the Soviet Union. Pelton also had access to American efforts to break Soviet codes, said one

official, and he may have helped the Soviets make their own communications more tamper resistant. But a full-scale damage assessment has just begun and may take months to complete. "It all depends on what [Pelton] actually gave them," said an administration intelligence insider. "We don't know yet."

Spy du jour: When he was arrested for espionage early last week, Pelton became the latest offering on the FBI's menu of *spy du jour*—the third current or former American official charged with peddling secrets in just four days. Justice Department sources said that the government was originally tipped to Pelton by KGB defector Vitaly Yurchenko—before he redefected to Moscow—and the FBI contended that Pelton had confessed during initial questioning last week. But his attorneys disputed the confession and said he intends to plead not guilty.

As in many of this year's embarrassment of espionage scandals, the apparent motive was money. In 1979 Pelton was at the brink of a financial abyss. His modest dream house on a two-acre lot in rural Howard County, Md., was less than one-third complet-

ed; Pelton, his wife and children lived in a ramshackle farmhouse on the property—with dubious sanitation—and sometimes slept in a camper. When Pelton filed for bankruptcy that April, he listed \$64,650 in debts and less than \$2,000 in assets—including \$6 in cash and a bowling ball worth \$2. In January 1980, according to a four-page FBI affidavit, six months after the NSA fired him, Pelton walked into the Soviet Embassy to offer his services.

In its affidavit, the FBI contends that Pelton passed information to the Soviets during extensive written debriefings while visiting Vienna in 1980 and 1983. The FBI says that Pelton admitted receiving \$15,000 after his 1983 trip. Pelton allegedly revisited Vienna last April, but this time returned home after failing to make contact with his KGB controller. What is potentially more embarrassing for U.S. counterintelligence officials is the allegation that in both his 1980 and 1983 missions to Vienna, Pelton stayed not in a hotel or safe house but at the home of the Soviet ambassador.

WALTER SHAPIRO with
KIM WILLENSON and
JOHN WALCOTT in Washington